

**OPENING REMARKS FOR THE HONORABLE RUBEN HINOJOSA  
HOUSE FINANCIAL SERVICES COMMITTEE  
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS  
“THE IMPORTANCE OF THE NATIONAL CREDIT REPORTING SYSTEM”  
TO  
CONSUMERS AND THE U.S. ECONOMY  
MAY 8, 2003**

Chairman Bachus and Ranking Member Sanders,

I want to thank you for holding this much-anticipated and important hearing today to determine the importance of the national credit reporting system. I look forward to the series of hearings this Subcommittee and other Subcommittees will hold to further clarify the issue.

My office has been contacted by numerous individuals and groups about the Fair Credit Reporting Act over the past few months. I personally have heard from industry, consumer groups and several regulators on this issue.

One of the main decisions we, as a Committee, will need to make is whether to extend all seven exceptions to the Fair Credit Reporting Act that preempt state law, or just some of the exceptions. They all expire January 1, 2004.

We may also have to delve into Identity Theft issues, which I understand are separate and distinct from the Fair Credit Reporting Act exceptions. Gramm-Leach-Bliley privacy issues might also be reopened.

I am wondering if this Committee will limit the scope of the hearings and subsequent legislation as much as possible. Some have told me that we need to remain as focused as possible on the extension of the FCRA exceptions if we are to accomplish anything on this important issue this session.

Determining the importance of the national credit reporting system is going to be very difficult.

On the one hand, industry representatives and Chairman Greenspan of the Federal Reserve Board suggest that privacy laws that restrict the availability of credit bureau data could impose significant economic costs. In fact, in response to written questions I submitted, Chairman Greenspan stated, and I quote:

“Limits on the flow of information among financial market participants, or increased costs resulting from restrictions that differ based on geography, may lead to an increase in the price or a reduction in the availability of credit, as well as a reduction in the optimal sharing of risk and reward. As a result, I would support making permanent the provision currently in the Fair Credit Reporting Act (FCRA) that provides for uniform federal rules

governing various matters covered by the FCRA and would not support allowing different state laws in this area.”

This is a very strong endorsement for the continued preemption of state laws pertaining to the credit reporting system. Almost all of the financial services representatives that have contacted me agree with Chairman Greenspan’s conclusion.

However, they seem to be split on whether or not to solely preempt the state law or to open up Gramm-Leach-Bliley to address additional privacy issues. Perhaps we are playing a game of tit-for-tat, but I would like the industry to present a united voice on this issue.

I would seek clarification from industry, all of today’s witnesses, future witnesses, Committee staff and the regulators on one issue. Section 507 of the Gramm-Leach-Bliley Act appears to authorize states to enact privacy laws that are more stringent than the Gramm-Leach Bliley standard. Section 506(c) of the Gramm-Leach-Bliley Act also seems to clarify that the Gramm-Leach-Bliley Act in no way modifies or supersedes the Fair Credit Reporting Act and that Act’s preemptions of state law. I am interested in knowing how all of today’s witnesses interpret the interaction of Gramm-Leach-Bliley and the Fair Credit Reporting Act with regard to state laws on affiliate-sharing.

At the same time, I have also heard from consumer groups and constituents who want the Fair Credit Reporting Act preemption of state law to expire. They are concerned about the need to protect social security numbers, fight identity theft, and ban unfair uses of credit scores by insurance companies.

I intend to research these concerns closely prior to making a final decision on whether to vote to extend the seven exceptions to the Fair Credit Reporting Act.

Mr. Chairman, at this point, I would ask permission to insert for the record the Consumer Federation of America’s report entitled “Credit Score Accuracy and Implications for Consumers.”

While I understand the difference between the extension of the exceptions to the Fair Credit Reporting Act issue and that of Identity Theft, I understand that the two issues might be considered simultaneously.

As a Member of the Democratic Task Force on Identity Theft, I look forward to discussions of that issue, particularly Mrs. Hooley’s legislation, which will likely be introduced today.

I hope that today’s witnesses will address some of these concerns, Mr. Chairman, and I thank you again for starting the dialogue on this important issue.